

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL FOUR)

Docket No. RM2020-11

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO QUESTION 1 OF CHAIRMAN'S INFORMATION REQUEST NO. 2**
(September 9, 2020)

The United States Postal Service hereby provides its response to the above listed question of Chairman's Information Request No. 2, issued September 3, 2020.

The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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September 9, 2020

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1. Please refer to Excel file "FY19 FPS Regulatory Product ReportwithTables.xlsx," tab "ICRA Summary." Please refer also to CHIR No.1, question 1 and to Response to CHIR No.1,¹ question 1. CHIR No. 1, question 1.a., asked whether costs included in cells D7, D10, D13, D22, D30, and D37 of the above referenced Excel file, associated with General Ledger (GL) account 53298, are incurred exclusively by outbound packets. CHIR No. 1, question 1.b., asked whether costs included in cells D39, D43, D53, D65, D69, and D72 of the above referenced Excel file, associated with GL account 53299, are incurred exclusively by outbound packets. In its Response to CHIR No.1, the Postal Service indicated that the costs included in the cells referenced in questions 1.a. and 1.b. of CHIR No.1 are "not clearly defined by shape" and that they were assigned to packets in the workpapers associated with this proposal. Response to CHIR No.1, question 1. The Postal Service further discussed an alternative reallocation of the "miscellaneous costs," which is "based on the shares of identified costs." *Id.*
 - a. Please confirm that the "miscellaneous costs" associated with GL account 53298 that the Postal Service considers reallocating based on the shares of identified costs include costs found in all of the cells referenced in CHIR No.1, question 1.a. If not confirmed, please identify cells in the above referenced Excel file which contain miscellaneous costs associated with GL account 53298 and which are considered to be reallocated based on the shares of identified costs.
 - b. Please confirm that the "miscellaneous costs" associated with GL account 53299 that the Postal Service considers reallocating based on the shares of identified costs include costs found in all of the cells referenced in CHIR No.1, question 1.b. If not confirmed, please identify cells in the above referenced Excel file which contain miscellaneous costs associated with GL account 53299 and which are considered to be reallocated based on the shares of identified costs.
 - c. In its Response to CHIR No. 1, the Postal Service provides an example of the alternative reallocation discussed above as resulting in a decrease in International Priority Airmail (IPA) packet costs "of roughly \$1,180 thousand" and an increase in IPA letters and flats costs "of an equal offsetting amount." Response to CHIR No. 1, question 1.
 - i. Please explain whether the \$1,180 thousand increase in IPA letters and flats costs is observed for IPA letters and flats only or for IPA letters and flats and First-Class Mail International mail combined.

¹ Responses of the United States Postal Service to Questions 1 -12 of Chairman's Information Request No. 1, August 17, 2020 (Response to CHIR No. 1).

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- ii. Please explain whether the decrease in IPA packet costs of roughly \$1,180 thousand is observed for IPA packets only or for IPA packets and First-Class Package International Service mail combined.
- d. Please provide financial workpapers in support of your answers. With these workpapers, please provide both a description of the "miscellaneous costs" associated with GL accounts 53298 and 53299 and a description of how these costs were allocated based on the shares of identified costs.

RESPONSE:

- a. Not confirmed. The understanding behind the question is correct, but when the costs not directly identified by shape were transferred into the other category for distributing to packets and letters/flats, the prior year data in row 30 were inadvertently overlooked. With the inclusion of that amount, all of the "miscellaneous costs" are included, and the estimated shift in costs changes from \$308 thousand to \$395 thousand.
- b. Not confirmed. When the costs not directly identified by shape were transferred into the other category for distributing to packet and letters/flats, the data in row 49 were inadvertently transferred to the other category. The data in row 49 should have been included with packets. With that correction, all of the "miscellaneous costs" are correctly included, and the impact of that correction changes the estimated shift in costs from \$1,180 thousand to \$1,156 thousand.
- c. i. The increase in costs of \$1,180 is for IPA letters and flats only.

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- ii. The language was imprecise; the decrease of \$1,180 thousand should have mentioned that the decrease concerned both IPA packets and First-Class Package International Service combined.
- d. Please see the updated FPS settlements file pivot summary sheet FPS Adj ChIR#2.xls filed under seal within USPS-RM2020-11-NP3. The Excel file FY19 FPS Regulatory Product ReportwithTables.xlsx is the pivot table data source.